



PROPOSED RULE MAKING (RCW 34.05.320)

**CR-102 (7/22/01)
Do NOT use for expedited
rule making**

Agency: **Insurance Commissioner**

- ☒ Preproposal Statement of Inquiry was filed as WSR 03-17-105; or
☐ Expedited Rule Making -- Proposed notice was filed as WSR _____; or
☐ Proposal is exempt under RCW 34.05.310(4).

- ☒ Original Notice
☐ Supplemental Notice
to WSR _____
☐ Continuance of WSR _____

(a) Title of rule: **Commercial account rate filing exemption**

Purpose: WAC 284-24-120 sunsets on December 31, 2003. This rule suspends the rate filing requirements under chapter 48.19. RCW for a "large commercial property casualty account" – as defined in the rule. This proposal will eliminate the sunset provision and update the definition of a large commercial property casualty account.

Other identifying information: **Insurance Commissioner Matter No. R 2003-04**

(b) Statutory authority for adoption: RCW 48.02.060, 48.18.100(6), and 48.19.080

Statute being implemented: RCW 48.19.080

(c) Summary: The proposed rule will remove the sunset provision and change the definition of "large commercial property casualty account" so that a large account must meet two of six criteria. The premium threshold – which is the primary criterion in the existing rule – is raised from \$25,000 to \$100,000.

Reasons supporting proposal: The rule will be more consistent with options proposed by the NAIC. The proposed rule will have lower thresholds than the NAIC in two areas. The NAIC proposal includes an aggregate premium threshold of \$500,000 and a minimum employee threshold of 500. The proposed rule will have a premium threshold of \$100,000 and an employee threshold of 200. It is the objective to establish reasonable standards which will encourage insurers to take advantage of the exemption when it is appropriate.

(d) Name of Agency Personnel Responsible for:	Office Location	Telephone
1. Drafting..... Lisa Smego	PO Box 40255 Olympia WA 98504-0255	360-705-7042
2. Implementation.... Beth Berendt	PO Box 40255 Olympia WA 98504-0255	360-725-7117
3. Enforcement..... Beth Berendt Leslie Krier	PO Box 40255 Olympia WA 98504-0255 810 3 rd Ave, Suite 650 Seattle WA 98104	360-725-7117 360-464-6204

(e) Name of proponent (person or organization): **Mike Kreidler, Insurance Commissioner**

- ☐ Private
☐ Public
☒ Governmental

(f) Agency comments or recommendations, if any, as to statutory language, implementation, enforcement and fiscal matters: **None**

(g) Is rule necessary because of:

Federal Law?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	If yes, ATTACH COPY OF TEXT Citation:
Federal Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
State Court Decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

(h) HEARING LOCATION:
**Insurance Commissioner's Office
Room TR 120
5000 Capitol Blvd.
Tumwater, WA 98501**

Date: 12/10/03 Time: 2:00 PM

Assistance for persons with disabilities: Contact
Lori Villaflores by 12/8/03

TDD (360) 664-3154 or (360) 407-0198

NAME (TYPE OR PRINT)

Mike Kreidler

SIGNATURE

TITLE

Insurance Commissioner

DATE

11/5/03

Submit written comments to:

**Kacy Scott
PO Box 40255
Olympia, WA 98504-0255
Email: Kacys@oic.wa.gov
FAX (360) 586-3109 By 12/8/03**

DATE OF INTENDED ADOPTION: **12/22/03**

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILED

NOV 5 2003

TIME 11:06 AM
WSR 03-22-094

(COMPLETE REVERSE SIDE)

(j) Short explanation of rule, its purpose, and anticipated effects:

WAC 284-24-120 sunsets on December 31, 2003. This rule suspends the rate filing requirements under chapter 48.19. RCW for "large commercial property casualty account" – as defined in the rule. This proposal will eliminate the sunset provision and update the definition of a large commercial property casualty account to be more consistent with criteria adopted by the National Association of Insurance Commissioners (NAIC) Property and Casualty Committee to exempt large accounts from rate and form filing requirements. The proposed rule has criteria with lower thresholds in some respects.

Currently few insurers use the existing rate filing exemption, so any change to the rule will have minimal effect.

Does proposal change existing rules? ☒ YES ☐ NO

If yes, describe changes:

The primary change is to eliminate the sunset clause and to add criteria which are more consistent with the approach that was discussed at the NAIC. The current rule has a \$25,000 estimated premium threshold (excluding workers compensation). The proposed rule includes these thresholds (of which two must be met):

- Annual premiums of \$100,000 or more, excluding workers compensation insurance
- Net revenues or sales in excess of \$100 million;
- More than 200 employees;
- Net worth over \$50 million;
- Is a not-for-profit organization or public entity with an annual budget or assets of at least \$45 million; or
- Is a municipality with a population over 50,000.

The goal is to adopt objective criteria that are similar to those anticipated to be used in other states. The agency also intends to propose legislation which will enable it to exempt certain forms from filing requirements. If the legislation passes, it is anticipated that a similar rule would be filed dealing with form filing exemptions.

(k) Has a small business economic impact statement been prepared under chapter 19.85 RCW? ☐ YES ☒ NO

Explain why no statement was prepared: Few insurers use the existing exemption, and the affected regulated entities are not small businesses.

(l) Does RCW 34.05.328 apply to this rule adoption? ☒ YES ☐ NO

Please explain: This proposal is a significant legislative rule for the purposes of RCW 34.05.328. A copy of the preliminary cost-benefit analysis is available upon request.

Contact:

Kacy Scott

Kacys@oic.wa.gov

360-725-7041

AMENDATORY SECTION (Amending Order R 2001-09, filed 12/28/01, effective 12/31/01)

WAC 284-24-120 Suspension of rate filing requirements--Large commercial accounts. (1) Under RCW 48.19.080, the rate filing requirements in chapter 48.19 RCW are suspended with respect to large commercial property casualty accounts.

(2) For purposes of this section, "large commercial property casualty account" means insurance coverage that:

(a) ~~((Pertains to))~~ Involves the lines of property and casualty insurance defined in RCW 48.11.040, 48.11.050, 48.11.060, 48.11.070, and/or 48.11.080; and

(b) Is purchased by a business, ((nonprofit)) not-for-profit organization, or public entity((+)

~~(b) Involves the lines of property and casualty insurance defined in RCW 48.11.040, 48.11.050, 48.11.060, 48.11.070, and/or 48.11.080; and~~

~~(c) Has an estimated annual collected premium of \$25,000))~~ with enough insurance buying experience to negotiate with insurers in a largely unregulated environment and that meets any two of the following criteria:

(i) Annual premiums of one hundred thousand dollars or more, excluding workers compensation insurance issued by the department of labor and industries and types of insurance listed in subsection (6) of this section;

(ii) Net revenues or sales in excess of one hundred million dollars;

(iii) More than two hundred employees;

(iv) Net worth over fifty million dollars;

(v) Is a not-for-profit organization or public entity with an annual budget or assets of at least forty-five million dollars;

(vi) Is a municipality with a population over fifty thousand.

(3) Before an insurer issues coverage in reliance on this section, the insurer or its agent shall notify the insured in writing that the rates have not been and will not be filed for the commissioner's approval.

(4) Property rates used on large commercial property casualty accounts will not be audited by the Washington Insurance Examining Bureau under WAC 284-20-006.

(5) The commissioner retains the right and ability to examine the rates used on large commercial property casualty accounts to ascertain whether they meet the requirements of RCW 48.19.020 and other statutes. The insurer shall maintain records supporting the rating and premium determination of each policy issued in reliance on this section. These records shall be retained by the insurer for a minimum of three years and made available at all reasonable times for the commissioner's examination.

(6) Subsection (1) of this section does not apply to:

(a) Professional liability insurance, including medical malpractice insurance;

(b) Directors' and officers' liability insurance purchased by individuals;

(c) Motor vehicle service contract reimbursement insurance, as defined in RCW 48.96.010(4); and

(d) Master policies under which certificates of coverage are issued to individual consumers, households, businesses, or other organizations.

~~((7) If this subsection is not amended, the provisions of this section shall expire on December 31, 2003.))~~

